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THE UNITED NATIONS DEVELOPEMENT FUND FOR WOMEN

Report of the Administrator

CONTENTS

		Paragraphs	Page
I.	PURPOSE	1	3
II.	THE FINANCIAL SITUATION OF THE UNITED NATIONS DEVELOPMENT FUND FOR WOMEN	2-8	3
III.	ANALYSIS OF THE CURRENT FINANCIAL AND ADMINISTRATIVE SITUATION	9-41	4
	A. Background information	10-25	5
	B. Reasons for the current financial situation	26-36	8
	C. Summary	37-41	10
IV.	IMPLICATIONS: 1995 AND BEYOND	42-54	12
V.	ADDRESSING THE MANAGERIAL AND ADMINISTRATIVE SITUATION	55-67	15
	A. Improved managerial and financial oversight	56-64	15
	B. Improving the division of work in UNIFEM	65	17
	C. The Budget Management System	66-67	17
VI.	ADDRESSING THE FINANCIAL SITUATION	68-83	17
	A. Reducing UNIFEM administrative costs	69-72	18
	B. Strengthening co-financing with UNDP, UNFPA, and other donors	73-77	18
	C. Vigorous resource mobilization for general resources	78-82	19
	D. Establishing appropriate financial arrangements with UNDP to meet current obligations of UNIFEM	83	20

95-13373

CONTENTS (continued)

		Paragraphs	Page
VII.	REPORTING	87	21
VIII.	EXECUTIVE BOARD ACTION	88	21

Annexes

I.	ANNUAL STATUS OF FUNDS (1990-1994)	23
II.	REVIEW OF THE FINANCIAL SITUATION OF THE UNITED NATIONS DEVELOPMENT FUND FOR WOMEN: SYNOPSIS OF INTERNAL AUDIT REPORT	25

I. PURPOSE

1. As requested by the Executive Board in its decision 95/10, the present report has been prepared by the Administrator in cooperation with the Director of the United Nations Development Fund for Women (UNIFEM), and in consultation with the UNIFEM Consultative Committee. Before providing the information requested in that decision, the Administrator wishes to convey to the members of the Board his concern with both the management and financial aspects of the current situation, as well as to express his assurance that the matter is being given his full attention. The UNDP Division for Audit and Management Review has undertaken a special audit, and a special panel of management, which is chaired by the Associate Administrator, has been established to review and determine, consistent with UNDP regulations, rules, procedures and guidelines - including due process - the responsibility and accountability of any concerned officials. The present report provides a detailed analysis of, and the reasons for, the financial and administrative situation of UNIFEM and suggests steps to strengthen the financial, administrative and managerial oversight of the Fund as well as a plan to put these on a sound basis.

II. THE FINANCIAL SITUATION OF UNIFEM IN 1994

2. UNIFEM resources are generated from three categories, as reported in the financial statements: general resources; cost-sharing; and sub-trust funds. General resources consist of contributions to the Fund's core budget and operate under the partial funding system. Cost-sharing and sub-trust funds are earmarked contributions for specific projects and operate under a fully funded basis. Annex I to the present report shows the UNIFEM annual financial status, 1990-1994.

3. Table 1 shows the movement of resources by source of fund. Since cost-sharing and sub-trust funds operate on a fully funded basis, they are not discussed further in the present report. In the general resources category, income for 1994 totalled $10.3 million and expenditures were $17.3 million. The excess of 1994 expenditures over income was partly covered by the $2.9 million cash balance carried over from 1993. In addition, it was also necessary to draw $4.1 million from the operational reserve to cover the balance of excess expenditures. As a net result, there was, at the end of 1994, $1.0 million left in the operational reserve.

4. Table 1 also shows that there was a decline in the general resources balance from 1990 to 1994. It was the intention of UNIFEM in the early 1990s to reduce further the then substantial amount of general resources that had accumulated.

5. Operational reserve figures as calculated each year are also given in table 1. From 1990 to 1993, the operational reserve at year end, calculated as required by the prescribed formula and using data available from the UNIFEM Budget Management System (BMS), is shown. The required operational reserve should have been $10.4 million at the end of 1994. As the balance of general resources at the end of 1994 could support an operational reserve of only $1.0 million, the reserve level was understated by $9.4 million.

Table 1. Movement of UNIFEM resources for the years 1990-1994 (in millions of dollars)

	1990	1991	1992	1993	1994
General resources					
Opening balance, 1 January	8.6	8.8	8.4	8.6	2.9
Income	10.0	12.1	10.7	10.8	10.3
Expenditure	(9.8)	(12.1)	(12.8)	(15.3)	(17.3)
(Increase)/decrease in the operational reserve	-	(0.4)	2.3	(1.2)	4.1
Closing balance, 31 December	8.8	8.4	8.6	2.9	0.0
Cost-sharing					
Opening balance, 1 January	0.2	0.7	1.6	1.2	1.6
Income	0.5	1.2	0.7	1.3	1.4
Expenditure	--	(0.3)	(1.1)	(0.9)	(1.8)
Closing balance, 31 December	0.7	1.6	1.2	1.6	1.2
Sub-trust funds					
Opening balance, 1 January	3.9	3.5	3.2	2.5	1.1
Income	--	0.3	0.2	0.2	2.2
Expenditure	(0.4)	(0.6)	(0.9)	(1.6)	(0.9)
Closing balance, 31 December	3.5	3.2	2.5	1.1	2.4
Operational reserve, 31 December	5.8	6.2	3.9	5.1	1.0

6. Furthermore, at the end of 1994, UNIFEM had total outstanding commitments of $20.3 million. It had no general resources to meet these obligations.

7. It is noted that the estimated deficit of $13.6 million indicated in the internal audit synopsis (see annex II) was based on preliminary draft 1994 financial statements prepared by the UNDP Division of Finance (DOF) dated 3 March 1995. The figures in the present report are based on the final financial statement of UNIFEM of 31 December 1994, which contains updated figures.

8. In summary, at 31 December 1994, UNIFEM general resources were reduced to zero. The operational reserve was recorded at $1.0 million, an understatement of $9.4 million. There were outstanding commitments of $20.3 million, but no general resources to meet these obligations.

III. ANALYSIS OF THE CURRENT FINANCIAL AND ADMINISTRATIVE SITUATION

9. The main reason for the current financial situation is inadequate performance and oversight by key UNIFEM staff as to financial reviews, monitoring and controls in connection with the implementation of the partial

funding system and the decision to reduce the unexpended resources. This resulted in a financial deficit that remained undetected until August 1994. Before elaborating further on the events leading to the financial situation, the basic concepts of the partial funding system, current accounting and tracking systems in UNIFEM, and certain aspects of UNIFEM-UNDP interface are presented as background information.

A. Background information

1. The partial funding system

10. The partial funding system established pursuant to Governing Council decisions 88/42 and 90/42 permitted UNIFEM to allocate funds to projects in excess of available resources. The objectives of the conversion from a full to a partial funding system were:

(a) To increase the flow of UNIFEM assistance to recipient countries;
(b) To reduce the accumulated excess in the Fund's balance; and
(c) To catalyse fund-raising and donor contributions.

11. The implementation of the partial funding system was approved on condition that sound financial control mechanisms be established, including:

(a) A fully funded operational reserve;
(b) An annual ceiling for total unspent allocations and outstanding recommended project approvals;
(c) Periodic financial reviews.

(a) The operational reserve

12. Pursuant to paragraph 9 of Governing Council decision 88/42, UNIFEM established and maintained in convertible currencies an operational reserve at the level of 45 per cent of outstanding recommended project approvals and unspent allocations (balances of approved projects not yet disbursed). At its thirty-seventh session (June 1990), the Council evaluated the partial funding system applied by UNIFEM and in paragraph 6 of its decision 90/42 authorized its continuation under a new formula. The new formula was to "include regular adjustment to the reserve levels at least twice a year to reflect the ongoing changes in commitments and resources and to provide greater programming flexibility". This formula, which has been used since 1991 for calculating the operational reserve, is based on the study undertaken by Deloitte & Touche in January 1990.

13. The operational reserve under the new formula is calculated on a sliding percentage scale applied to the sum of the unspent allocations and recommended project approvals for the coming three years. The percentages are given in table 2.

Table 2. Sliding percentage scale in the calculation of the operational reserve for year X

Year	Unspent allocations	Recommended project approvals
	(Percentages)	
X+1	66.7	45
X+2	50.0	40
X+3	33.3	35

14. UNDP Financial Regulation 12.2, which also applies to UNIFEM, states:

"(a)... the reserve shall be fully funded and held in irrevocable and promptly available liquid assets. The elements to be compensated for and covered by it shall be limited to:

(i) Downward fluctuations or shortfalls in resources;
(ii) Uneven cash flows;
(iii) Increases in actual costs as compared to planning estimates or fluctuations in delivery; and
(iv) Other contingencies which result in a loss of other resources for which UNDP has made commitments for programming.

The decision to make a drawdown from the operational reserve shall rest solely with the Administrator, who will report all drawdowns to the Executive Board at its next session and between sessions, to Members of the Executive Board as may be prescribed by the Board or whenever the situation in the Administrator's opinion so merits."

(b) The annual ceiling

15. The partial funding system was also conditioned upon the establishment of an annual ceiling for the total unspent allocations and outstanding recommended project approvals (see annex II of DP/1988/4 and DP/1988/50/Add.2). The annual ceiling is calculated on the basis of the estimated available resources at year end, exclusive of the operational reserve, plus twice the value of voluntary contributions of the previous year. UNIFEM is required to control the level of outstanding recommended approvals and unspent allocations by setting a maximum level of project approvals during the year. The income from cost-sharing and sub-trust funds is excluded from the partial funding formula since they are on a fully funded basis.

(c) Periodic financial review

16. The adoption of the partial funding system was conditioned on the implementation of a set of periodic financial reviews to be performed by UNIFEM (approved and pipeline project budgets, cash flow, income projections, expenditures for projects and administration). In addition, the assumptions and elements of the partial funding system are to be monitored by UNIFEM at regular intervals in order to assess the continuing validity of the formula.

2. Current accounting and tracking systems

(a) Division of responsibility within UNIFEM

17. The Management Services Section (MSS), under the direct supervision of the Director, has the overall responsibility for financial matters, including liaison with UNDP/DOF. It is also responsible for matters pertaining to administrative and personnel functions. It is currently made up of a chief, a programme support officer and three General Service staff.

18. Programming functions are under the direction of the Deputy Director. Project activities are initiated and monitored under the supervision of section chiefs.

(b) Automated system and equipment

19. In 1989, UNIFEM sought to put in place a sound financial management system for its projects portfolio in order to increase effective response to activities related to its mandate. UNIFEM internal database systems available at the time were recognized as inadequate for financial management. Consequently, a version of the Budget Management System was introduced.

3. UNIFEM-UNDP interface

20. UNIFEM was established as a "separate and identifiable entity in autonomous association with the United Nations Development Programme," pursuant to General Assembly resolution 39/125 of 14 December 1984. In the same resolution, the General Assembly also stipulated that "Subject to the provision of (this) annex, the regulations, rules and directives of the United Nations Development Programme shall be applied to the operations of the Fund".

21. The relationship between UNIFEM and UNDP is further governed by the "UNDP/UNIFEM Guidelines", issued in January 1988. These Guidelines were established following General Assembly resolution 39/125, in which the General Assembly mandated the delegation of the management and administration of UNIFEM to its Director, who shall be accountable to the Administrator.

22. In support of UNIFEM, UNDP/DOF provides central services to the Fund. These services are identical to the services provided by UNDP to all trust funds administered by UNDP.

23. The following systems, under the management of UNDP/DOF, are used by UNIFEM, directly and/or indirectly:

(a) General Ledger Financial Reporting System (GLFRS) - a record of all financial transactions of UNDP and its administered trust funds;

(b) Income and Cash Management System (ICM) - a record of all receipts, disbursement and investments of UNDP and its administered trust funds;

(c) Trust Funds EM1 database - a record of all approved project budgets of trust funds and actual expenditures incurred at the project level.

24. Various reports generated from these systems are provided to UNIFEM as requested. Out of the GLFRS, UNIFEM receives monthly reports on administrative expenditure and project expenditure. In addition, the UNIFEM Budget Management System imports its expenditure information (for projects executed by UNIFEM, the United Nations Office for Project Services (UNOPS), non-governmental organizations (NGOs)) from GLFRS on a monthly basis. From the ICM, UNIFEM receives quarterly reports on voluntary, cost-sharing and sub-trust fund contributions.

25. UNDP/DOF also prepares and provides UNIFEM with its financial statements three times a year (as at 30 June, 30 September and 31 December). The information presented in these statements is obtained either from the GLFRS, as in the case of income and expenditure amounts, or provided by UNIFEM, as in the case of the operational reserve. The UNIFEM financial statements reflect unspent allocations (balance of approved allocations that has not yet been disbursed), using actual expenditures recorded in GLFRS and approved allocations provided by UNIFEM. A copy of this report (statement of unspent allocations) is also provided to UNIFEM three times a year, accompanying the financial statements.

B. Reasons for the current financial situation

1. Inadequate performance and oversight in the application of the partial funding system

(a) Lack of periodic and systematic review

26. The application of the partial funding system requires the implementation of a set of financial reviews to be performed by UNIFEM. However, adequate management and financial oversight were not exercised in this area. This was demonstrated by the absence of an assessment of the validity of the assumptions and elements of the partial funding system; the lack of periodic and timely budget revisions and rephasings and, therefore, the lack of accurate and up-to-date financial data; and the absence of accurate and reliable management tools to provide key financial data for planning and for monitoring of resources.

(b) Understatement of the operational reserve

27. Owing to the absence of systematic entering of all projects into the system, and project revisions and rephasings of those in the system, the calculation of the operational reserve for the years 1991-1993 was not accurate. If the project budgets had been rephased, they would have been captured in the calculation of the operational reserve. As a result, the operational reserves were understated.

(c) Overstatement of the ceiling

28. The impact of the understatement of the operational reserve in the years 1991 to 1993 was an overstatement by the same amount of the available resources for these years. This led to an overstatement of the annual ceiling for the new project approvals, and thus an overallocation to new projects during the same period. As a result of overprogramming due to the overstatement of available resources, delivery increased steadily and led to the depletion of general resources and subsequent drawdown of the operational reserve.

(d) Drawdown of the operational reserve

29. As noted in paragraph 14, the UNIFEM operational reserve exists for the purpose of providing funds to cover contingencies such as shortfalls in expected resources, uneven cash flows, and unexpected increases in costs above planned levels. In order to function effectively in accordance with Financial Regulation 12.2, however, it is necessary that a reliable forecasting mechanism be in place that provides ample forewarning of the possibility of a drawdown of the operational reserve.

30. The normal procedure for drawing against the operational reserve would be for the Director of UNIFEM to advise the Administrator, in advance, of the likelihood of such a requirement on the basis of a cash flow projection by UNIFEM based upon income and expenditure data, and for the Administrator in turn to notify the Executive Board at the appropriate specified time should he then authorize a use of the operational reserve.

31. It should be noted that the operational reserve is established as an accounting entry only by a charge to UNIFEM general resources and a credit to the UNIFEM operational reserve account in the general ledger. It should be noted that investments of the operational reserve are co-mingled with other UNIFEM investments and not separately pooled.

32. In light of the lapses in managerial and financial controls detailed in the present report relating to the actual levels of approved projects and to available resources, an accurate forecasting by UNIFEM was not possible, and hence the procedures for drawing against the reserve could not be honoured. The first drawdown was recorded in the 30 June 1994 UNIFEM statement and was initially brought to the attention of UNIFEM by UNDP in August 1994 and formally reported on 12 September 1994. The subsequent drawdown, which was recorded in the 30 September 1994 financial statement, was reported to UNIFEM on 16 January 1995. The 31 December 1994 financial statements recorded a drawdown of $4.1 million of the operational reserve.

33. Upon learning from UNDP/DOF of the UNIFEM financial difficulties in August 1994, UNIFEM immediately initiated action to review its financial records in order to confirm the magnitude and identify the causes of the financial situation before notifying the Administrator. This exercise involved reviewing each project; communicating with UNIFEM project staff and with UNDP country offices to determine the actual status of projects; negotiating on project revisions; and coordinating with UNIFEM partners on ongoing project activities. The review was completed by the end of December 1994. Once the overcommitments and the deficit were more accurately

estimated, the financial matters were brought to the attention of the Administrator on 9 January 1995. An internal audit of UNIFEM was then carried out, in agreement with the Director, in mid-February and an internal audit report was issued on 23 March 1995. A synopsis of that report is contained in annex II to the present document. The drawdown of the operational reserve was then reported to the Executive Board by the Administrator at its second regular session 1995.

2. Division of work in UNIFEM

34. In addition to programme and advocacy work, staff are faced with a substantial number of administrative tasks arising from the wide range of UNIFEM-supported projects. In order to cope with the increasing work load of the MSS in financial matters, the secretarial staff of all the sections were trained to respond to many of the routine financial operations, including obligation documents and payment vouchers, and processing data entry of project information and budgets into the Budget Management System. This is in addition to each section's responsibility for project document preparation, general monitoring of project progress, including expenditures, and ensuring that project budgets are revised as required.

35. With regard to the routine financial operations, clear lines of responsibility were not established on project budget rephasing and the monitoring mechanism. Systems to check that such work was being done were not adequate.

3. The Budget Management System

36. Problems associated with the BMS have also contributed to the late budget revisions and rephasings. The BMS was taken off line for approximately eight months during 1992 and 1993, and manual records were kept. An all-out effort to update the database began in September 1993 and continued into 1994. This consisted of entering approved budgets and rephasing delinquent budget revisions to 1994 from prior years. As a result, a significant accumulation of unspent allocations became known only in 1994: the financial statements reflect $4.3 million as at 30 June 1994; $20.5 million as at 30 September 1994; and $20.3 million as at 31 December 1994 for prior, current and future years. Since 1994, UNIFEM has been simultaneously entering new projects as well as the backlog of ongoing projects into the BMS. While still not an adequate system, the improved BMS can now provide a variety of reports with budget and expenditure data at the project type, country, regional and aggregate levels.

C. Summary

37. The main reason for the substantial financial deficit is that the implementation of the above major developments was made without the prescribed management and financial oversight by UNIFEM. A secondary reason concerned the lack of proactive follow-up by UNDP/DOF with UNIFEM management to ensure

that UNIFEM took corrective action in regard to the comments issued by UNDP/DOF with financial statements.

38. The approval of the partial funding mechanism in 1988 was based on the commitment that financial control mechanisms would be instituted to secure the financial integrity of the Fund. The planned financial control mechanisms included the implementation of a fully funded operational reserve, a ceiling for the unspent allocations and outstanding recommended project approvals and a set of periodic financial reviews. Furthermore, UNIFEM capacity for accountability was to be enhanced through the strengthening of its financial management system through the establishment of a finance unit in UNIFEM and the development of the Budget Management System.

39. Inadequate management and financial oversight were demonstrated by (a) the unsatisfactory supervision and monitoring of financial matters (e.g., lateness or absence of project revisions/rephasings, late updating of the BMS of approved project budgets and revisions); (b) the failure to perform periodic and systematic review of the elements from which the partial funding ceilings were derived; (c) the lack of periodic assessment of the basis used to establish the partial funding system to assure UNIFEM that the basis was sound as measured against performance; and (d) the absence of accurate and reliable management tools to provide key financial data for planning and for monitoring of resources (e.g., inaccurate BMS reports supporting decisions for future activities).

40. The unclear division of responsibilities within UNIFEM for financial functions led to the delay in entering project budgets, revisions and rephasings into the BMS. Furthermore, the BMS was out of operation for eight months, creating a large backlog of data entry. The delay in data entry and the inadequate supervision and monitoring significantly contributed to the problem.

41. As a central service provider, UNDP prepares UNIFEM financial statements for periods ending 30 June, 30 September and 31 December. These financial statements have been provided to UNIFEM with comments addressed to the Director of UNIFEM, with a copy to the Chief, Management Services Section, and other appropriate parties, highlighting significant financial information and drawing specific points to management's attention. These letters, specifically pointed out, among other things,instances where project expenditures exceeded approved budgets, projects with expenditures but no approved budgets, completed projects with no final budget revisions, and requested that mandatory budget revisions be prepared and copies forwarded to UNDP as soon as approved. In hindsight, in view of the continued similar problem and the anomaly of zero unspent allocations in the December 1993 financial statement and the existence of an operational reserve balance, a more proactive follow-up by UNDP with UNIFEM management would have been warranted to ensure corrective actions by UNIFEM. UNIFEM started to take corrective action during the latter part of 1994.

IV. IMPLICATIONS: 1995 AND BEYOND

42. There has been international recognition of the past contributions of UNIFEM at the United Nations Conference on Environment and Development, the World Conference on Human Rights, the International Conference on Population and Development (ICPD), and the World Summit for Social Development. This has raised the expectations of all partners that UNIFEM play a strong role in preparation for and at the upcoming Fourth World Conference on Women (FWCW) in Beijing. Since September 1994, exactly a year before Beijing, UNIFEM has had to undertake stringent measures through budget cuts and programme reformulations at a time when its optimal level of activity should be reached.

43. This is made doubly difficult by the nature of the work of UNIFEM, which requires a long-term commitment to its partners: NGOs, women's and professional networks and associations, government departments and academic institutions. From its work on behalf of women over the past 20 years, the Fund has developed a solid base of support from NGO networks and the international women's movement, who feel distinct ownership of UNIFEM as an organization of the United Nations system and look to UNIFEM as their main advocate within the United Nations system. The uncertainty of the Fund's current financial situation therefore places considerable stress on the women's organizations within these networks and movements since they have confidence in the substantive capacity of UNIFEM to assist them in achieving their development goals.

44. As soon as the financial problem became apparent, UNIFEM undertook a review of projects, as described in paragraph 33, as well as the following measures:

(a) Approval of all new projects was suspended;

(b) Donor governments were requested to accelerate payment of their 1994 contributions;

(c) Planned expenditures for the rest of 1994 were reduced to the minimum possible level;

(d) Outstanding obligations of 1994 and prior years were processed with the aim of liquidating them;

(e) All project allocations for 1995 and future years were reviewed with the objective of reducing them to realistic delivery levels and rephasing balances in project budgets to future years to the extent possible.

45. After the new Director of UNIFEM brought the matter to the attention of the Administrator on 9 January 1995, she established a task force on finance on 12 January 1995 to assess further the situation, develop recommendations for action, and coordinate the organization's efforts to address the problem. These measures achieved the following results by March 1995;

(a) Outstanding contributions of $6.6 million were collected;

(b) A significant number of long-outstanding advances for projects were processed;

(c) Budgets of all ongoing projects were either reduced for 1995 and/or rephased to future years.

46. UNIFEM has continued to review its financial records to determine the causes and magnitude of the problem. This has resulted in the further decommitments and rephasing of current projects.

47. During the informal meeting of the Executive Board on 7 April 1995, UNIFEM presented a set of cost projections for the period 1995-1997 that assumed a minimum set of new programmes to prepare for the FWCW and for the present administrative structure. In paragraph 4 of its decision 95/10, the Executive Board decided that:

> "... the United Nations Development Fund for Women should re-examine the operations of the Fund, including its administrative costs, and its commitments as presented to the Executive Board, including all its financial activities in relation to the Fourth World Conference on Women, and that the United Nations Development Fund for Women should undertake all efforts to reduce the size of its commitments and disbursements in accordance with projected income and to report on these efforts to the Board, bearing in mind the special responsibilities of the United Nations Development Fund for Women with regard to the Fourth World Conference on Women".

Guided by this decision, UNIFEM has undertaken such examination and presents its new projections for general resources in table 3.

48. In the presentation to the Executive Board at its informal meeting on 7 April 1995, income was projected to increase annually by 7 percent from 1995 to 1997. In these new projections, projected income is further divided into government contributions and private donations. Government contributions are expected to increase by 7 per cent annually while private donations are expected to increase by $100,000 per year. These increases are anticipated from the vigorous resource mobilization to be carried out by UNIFEM, as discussed in chapter VI.

49. On the expenditure side, the re-examination undertaken by UNIFEM resulted in both lowering its commitments to ongoing projects and rephasing them over the next three years. The new projects in 1995 are all initiatives for the FWCW. It is further assumed that in response to this Conference, UNIFEM will continue to have new projects after 1995. In addition, projected administrative and technical support costs were lowered, with the 1996 and 1997 projections even lower than that for 1995, which is also below the approved 1994-1995 biennial budget. The reduction of the administrative budget to $5.2 million for the biennium 1996-1997 is in conformity with the UNDP budget strategy and takes into account the minimum level of administrative and technical support costs required to deliver the reduced size of UNIFEM projects. These reductions are further detailed in chapter VI.

Table 3. UNIFEM general resources projections
(in millions of dollars)

	1995	1996	1997
Opening balance	1.00	(4.46)	(3.02)
Projected income	11.60	12.48	13.41
Government contributions	11.10	11.88	12.71
Private donors	0.50	0.60	0.70
Projected expenditures	17.06	11.04	10.39
Projects:	13.39	7.82	7.17
Ongoing projects a/	12.86	3.82	1.35
New projects	0.53 b/	4.00	5.82
Administrative costs	3.05	2.60	2.60
Technical support costs	0.62	0.62	0.62
Balance of general resources	(4.46)	(3.02)	0.00

a/ The 1995 figure of $12.86 million includes ongoing initiatives for the FWCW totalling $2.25 million. Ongoing projects in 1995 as rephased to future years will have the following commitments: 1996: $3.82 million; 1997: $1.35 million; and 1998: $0.35 million.

b/ All new projects for 1995 are for the FWCW.

50. For 1995, the projected expenditure for ongoing projects is decreased from the earlier projections of $15.90 million to $12.86 million. Ongoing initiatives for the FWCW totalling $2.25 million form part of this amount; formerly planned activities for the Conference, lowered from $4.00 million to $2.25 million as previously reported to the Executive Board, are further lowered to $0.53 million. Initial administrative costs projected at $3.80 million, including technical support costs, are reduced to $3.67 million. This is now presented separately as administrative costs of $3.05 million and technical support costs of $0.62 million. Hence, for 1995, a lower projected deficit from operations of $4.46 million is expected, as compared to the $11.10 million discussed at the informal meeting of the Executive Board.

51. For 1996 projections, expenditures on projects consist of $3.82 million for ongoing projects and $4.00 million for new projects. Projected administrative cost is $2.60 million and technical support costs $0.62 million. The total expenditure is $11.04 million and the balance from operations is a deficit of $3.02 million.

52. By end 1997, UNIFEM expects to have no deficit in its operations. Its projected expenditures total $10.39 million, wherein the ongoing projects will be $1.35 million, new projects $5.82 million, administrative costs $2.60 million and technical support costs $0.62 million.

53. Owing to the cash deficit of UNIFEM, it is recommended that the [illegible]nt for the operational reserve be suspended for projects until such t[illegible] financial situation of UNIFEM is on a sound basis.

54. The above projections depict a scenario whereby the projected income of UNIFEM would cover projected expenditures by 1997 without threatening its viability as an organization. This is especially important in view of the Fund's need to strengthen its post-FWCW operational activities and continue its ongoing programmes.

V. ADDRESSING THE MANAGERIAL AND ADMINISTRATIVE SITUATION

55. As noted in paragraph 20, UNIFEM was established as a "separate and identifiable entity in autonomous association with the United Nations Development Programme". Within this framework and in response to the current financial situation, the following steps will be taken to address the administrative and managerial problems and improve the financial monitoring of the Fund.

A. Improved managerial and financial oversight

1. Project budget revisions and rephasings

56. Existing UNIFEM procedures will be upgraded to institutionalize financial monitoring of projects and programmes and to delineate clearly the interfacing between programme, financial and administrative personnel. This will be in effect by the end of June 1995.

57. Periodic reviews of all approved (not yet operational) projects, the monitoring of expenditures and advances, and mandatory budget revisions and rephasing of budgets of ongoing projects will be institutionalized by May 1995.

58. In order to ensure project budget control, by May 1995, all sections of UNIFEM will keep shadow accounting records of all commitments against their respective portfolio of programme and project budgets as soon as they occur. These records will be regularly reconciled with the automated accounting records of UNDP and UNIFEM.

2. Periodic review of financial statements

59. While the following reports have previously been available within UNIFEM, they will be reviewed more formally and systematically with immediate effect, in accordance with the schedule indicated below;

(a) Financial status report (monthly): this will provide information on availability (actual and projected income) and utilization (expenditures) of resources, including administrative budget costs and future project/administrative commitments for UNIFEM main funding sources;

(b) Cash flow report (quarterly);

(c) Report on general resources availability and utilization, including unsigned commitments (quarterly);

(d) Approval report (quarterly) showing levels of recommended project approvals for current as well as future years;

(e) Contribution report (quarterly), showing pledges and contributions by source of funds, donors and by project of cost-sharing and sub-trust funds; and

(f) Report on pledges, actual contributions and receivables for general resources, cost-sharing and sub-trust funds (quarterly).

3. Monitoring the operational reserve

60. As appropriate, the monitoring of the operational reserve will be undertaken in accordance with the criteria and methods described in the reports of the Administrator (DP/1988/4 and DP/1988/50/Add.2). In order to provide an early indication of the possibility of a drawdown of the operational reserve, a reliable forecasting mechanism will be established within UNIFEM. The mechanism will be established on the basis of the reports listed in paragraph 59. It will be formally reviewed by the UNIFEM management on a quarterly basis once UNIFEM resumes operation under the partial funding system.

4. Review of partial funding formula

61. To ensure that the basis for the calculations of the maximum ceiling (for unspent allocations and outstanding recommended project approvals) and the operational reserve are correct, an assessment of the validity of the assumptions and elements of the partial funding system and procedure for the drawdown of the operational reserve will be initiated as soon as possible. This will be done in cooperation with UNDP and discussed in the Executive Board when appropriate, once UNIFEM is again operating on a sound financial basis.

5. UNIFEM-UNDP interface

62. UNDP will provide additional reports from the GLFRS and ICM to UNIFEM that will be of assistance in managing its funds. These reports will be provided to UNIFEM on a regular basis.

63. Regular meetings (at least twice a year) between UNDP and UNIFEM will be held to discuss various aspects of the Fund's cash situation, including investment level. Although the level of investments held at any point in time is subject to adjustments upwards and downwards in relation to interfund imbalances and should not be seen as definitive, UNDP will establish a certain percentage of the operational reserve below which the investment level should not drop without triggering an early warning process.

64. Without prejudice to the autonomy of UNIFEM, an in-house project-fund monitoring system will be established with the assistance of one outposted UNDP/DOF staff member. Such staff member, who would report to the Director of UNIFEM and to the UNDP Director of Finance, would focus on recording and data entry of approved projects and the resultant monitoring of available resources. The roles of other UNIFEM finance and programme staff and their interaction in relation to the data entry of project financial information and budget revisions will be reviewed and defined.

B. Improving the division of work in UNIFEM

65. Job descriptions for the finance and programme staff will be revised to strengthen divisions of responsibility. Preparations are being made to centralize the data entry and maintenance of the database in the Finance Unit, which will have the responsibility for budget management and control. Immediate training on the financial management cycle, within the context of the programme management function and tailored to the needs of the staff, will be provided by July 1995.

C. The Budget Management System

66. The process of updating the financial data in the BMS will continue in order to clear the backlog of revisions from prior years. This will be finalized by mid-1995.

67. UNDP/DOF has recently developed a corporate project management system called "Project Financial Management System" (PFMS), which incorporates all programme and project management rules followed by UNDP and all UNDP-administered trust funds, including UNIFEM. The use of PFMS reinforces compliance with established policies and procedures. UNIFEM intends to migrate to PFMS. Recommended project approvals would need to be included in an upgrade of PFMS. UNIFEM would participate in drawing up the specifications for this enhancement. In the interim, UNIFEM will continue to use the BMS.

VI. ADDRESSING THE FINANCIAL SITUATION

68. In addition to the immediate measures already taken to address the financial situation described in chapter IV, UNIFEM is undertaking the following multi-pronged strategy to address the financial problem:

(a) Reducing UNIFEM administrative costs;

(b) Strengthening co-financing with UNDP, UNFPA and other donors;

(c) Undertaking vigorous resource mobilization for general resources;

(d) Establishing appropriate financial arrangements with UNDP to meet UNIFEM current obligations.

A. Reducing UNIFEM administrative costs

69. In reviewing the budget estimates for 1995-1997, it must be recognized that UNIFEM, like other funds and programmes, has been given a broad mandate by Member States. This poses a challenge to the UNIFEM secretariat in that it must continuously study and interpret the mandate so that it can initiate the most critical and effective actions. Located at the interface of two important United Nations issues, development and women, UNIFEM, as a funding agency, responds directly to project requests; simultaneously, however, the Fund itself is also to serve as a catalyst and to pioneer development cooperation strategies that are relevant to the mandate. The latter role has now taken on even more importance in view of the upcoming FWCW and the follow-up thereto. This naturally requires a minimum level of biennial budget allocations to maintain a critical capacity for the Fund. A reduction in biennial budget expenditure in the same proportion as the reduction in programme expenditure would thus not do justice to the critical importance of the Fund's catalytic and advocacy role. The relationship between programme and biennial budget allocations should be considered in this light.

70. UNIFEM has a core staff of 17 Professionals and 12 General Service staff. Among these, 3 Professionals and 3 General Service staff are funded under the technical support costs.

71. UNIFEM expenditures for administrative costs as a percentage of total expenditures declined from 17.8 per cent in 1990 to 14.3 per cent in 1994. In 1994, actual administrative costs were $2.86 million, compared to a budget of $3.32 million. Of this amount, $1.92 million (67 per cent) was spent on personnel, $0.49 million (17 per cent) on general operating expenditures, which included $0.36 million (13 per cent) for rent, and $0.38 million (13 per cent) on reimbursement to UNDP/United Nations for central services.

72. The earlier projected administrative costs (presented to the Executive Board at its informal meeting on 7 April 1995) of $3.80 million consisted of administrative costs of $3.18 million and technical support costs of $0.62 million. After a thorough review of the administrative requirements for 1995, the projected administrative costs have been reduced to $3.05 million, from the $3.32 budgeted, and are $0.13 million lower than the figure presented at informal meeting of the Board in April 1995. This will be accomplished by keeping two Professional and two General Service posts vacant, with minor reductions for other expenses that were already budgeted at the minimum level. For the 1996-1997 biennium, the administrative budget is proposed at $5.20 million, which is 21.2 per cent lower than the 1994-1995 budget. As mentioned in chapter IV, the reduction is in conformity with the UNDP budget strategy and takes into account the minimum level that is required to deliver UNIFEM projects and enable the Fund to undertake its advocacy function. The reduction will be attained by further freezing 2 Professional and 2 General Service posts.

B. Strengthening co-financing with UNDP, UNFPA and other donors

73. Strong partnerships with major donor institutions, particularly UNDP and UNFPA, contribute to the ability of UNIFEM to perform the catalytic role outlined in its mandate. UNIFEM has worked with them in critical areas of

common concern. Among these are assisting women to survive years of war and famine, furthering women's political and economic empowerment, institutionalizing gender-responsive development planning, placing women at the centre of sustainable human development, putting women's rights on the human rights agenda, and assisting women in their fight against gender-based violence. As a result, development partners can make their interventions more strategic, further develop their own constituencies, and gain experience with NGO partners.

74. The UNIFEM partnership with UNDP is proving to be highly effective. In Africa, one example is the joint three-year, $1.90 million programme, Strengthening Gender in Development Capacity. It aims to develop institutional capacity for integrating gender analysis in training and research activities and to promote advocacy and networking among concerned institutions in the region. It has successfully linked UNIFEM pilot activities with the UNDP capacity for undertaking larger-scale projects. UNDP and UNIFEM are in the process of identifying other co-financing opportunities.

75. For the last four years, the Australian Agency for International Development (AusAID) has co-funded with UNIFEM a regional project in the Pacific Islands countries to promote the incorporation of women into mainstream development planning in four pilot countries (Cook Islands, Marshall Islands, Papua New Guinea, and Tuvalu). The first phase of the project focused on the integration of women's concerns into mainstream planning and programming at the national level. The current phase of the project aims at consolidating and strengthening national institutional arrangements in the four pilot countries for the integration of women's concerns into planning. It also focuses on enhancing the capacity of the South Pacific Commission, a regional organization, to continue providing technical backstopping and replication of this mainstreaming in the region.

76. Opportunities also exist for greater collaboration with UNFPA in the implementation of the ICPD Programme of Action. UNFPA has already asked UNIFEM to be the lead organization for the Working Group on Women's Empowerment, an important role in the ICPD follow-up implementation. Possibilities for co-financing with UNFPA are being explored.

77. UNIFEM is actively seeking new partnerships in common strategic programme areas. Profiles of some UNIFEM ongoing projects suited for such partnerships have been prepared and are being presented to UNDP, UNFPA and other donor partners who will be invited to join with UNIFEM in support of those projects that are in line with their own priorities. The financial requirement for these projects until their completion totals $5.80 million, with the following annual breakdown: $3.10 million for 1995, $2.00 million for 1996, and $0.70 million for 1997.

C. Vigorous resource mobilization for general resources

78. UNIFEM has developed a resource mobilization strategy for 1995-1997 through which it seeks to diversify its sources of funding. Over the last five years, contributions from governments accounted for the major part of UNIFEM annual income (79 per cent), primarily from the long-established industrialized countries as opposed to newly industrializing ones. Donations from the private sector, comprising UNIFEM national committees, women's

organizations, other NGOs and individuals accounted for an average of 4 per cent over the last five years. The rest of the income, or 17 per cent, is composed of co-financing for specific projects.

79. UNIFEM core funding from contributions by donor governments is still central to the organization's fund-raising effort. The past year has brought both new challenges and opportunities for capturing government contributions. The main challenge lies in the fact that most donor countries are facing new pressures on their budgets from their own domestic priorities. This means that there are fewer resources for Official Development Assistance and that there is fierce competition among multilateral organizations for these resources. The main opportunity comes from the growing recognition that sustainable human development will not take place unless women are placed at centre stage. Successive United Nations conferences have increased this awareness, and the ICPD has in particular created new opportunities for more resources and more accountability concerning policies and programmes for women. It is further anticipated that the FWCW will promote the need for even higher levels of response from the international community.

80. The private-sector fund-raising strategy of UNIFEM focuses most significantly on building on present private-sector relationships and on forging new relationships with foundations, individuals, and NGOs. Assistance will be provided for the formation of national committees and to the fund-raising efforts of existing national committees. Guidance will also be provided to regional staff in pursuing local fund-raising possibilities. Opportunities to license the UNIFEM logo will also be pursued.

81. Therefore, the resource mobilization strategy, while maximizing the contributions from current donor governments and a select number of private donors, will put more emphasis on approaching other governments (particularly those of newly industrializing countries in Asia), the private business sector, and private individuals.

82. UNIFEM fund-raising efforts during the 1996-1997 biennium will be supported by a coherent communications strategy. This will include providing potential donors with appropriate printed material through a cost-effective and streamlined distribution mechanism.

D. Establishing appropriate financial arrangements with UNDP to meet current obligations of UNIFEM

83. To the extent that UNIFEM external resource mobilization efforts need to be supplemented by UNDP, the following financial arrangements will be undertaken:

(a) Selected UNIFEM projects will be assumed by and/or co-financed with UNDP. Existing UNIFEM project obligations could then be reduced, thereby freeing up funds for the replenishment of general resources;

(b) In order to cover the cash requirements of UNIFEM on an interim basis, UNDP will provide an overdraft facility or line of credit to UNIFEM. This will be operated on the basis of the interfund accounts between the two organizations. Such a facility is preferable to a one-time loan because it

minimizes the borrowing to the amounts actually needed at any given moment. UNDP will charge interest costs to UNIFEM for the use of this facility on a basis that will result in no gain or loss for UNDP. This facility has been provided by UNDP since the first quarter of 1995.

VII. REPORTING

84. Bearing in mind the lines of authority and accountability in the management and operations of UNIFEM, as contained in General Assembly resolution 39/125, and for the purpose of responding fully to Executive Board decision 95/10, immediate steps are being taken by the Administrator to improve management reporting from the Director of UNIFEM to the Administrator and from the Administrator to the Executive Board.

85. The Administrator will hold monthly meetings with the Director of UNIFEM. He will meet regularly with the Consultative Committee to assess the progress towards completing the actions indicated in the present report, which will put UNIFEM on a solid managerial and financial footing, and restore solid working relationships with UNIFEM's development partners. The periodicity and purpose of subsequent reporting by UNIFEM will then be re-assessed. Should the Board so desire, the Administrator will present a progress report at every second session of the Board, until such time as the Board indicates otherwise.

86. The Administrator wishes to assure the Executive Board that all pertinent steps either have already been taken or are being taken as set forth in the present report to ensure that UNIFEM is now and will henceforth continue to be managed effectively and that the recent situation will not recur in the future. Recognizing UNIFEM's important contribution to the theme of women in development, and particularly its role in the forthcoming FWCW and its follow-up in terms of UNIFEM programming activities, the plan for re-establishing UNIFEM on a sound managerial and financial footing will have the highest priority. The Administrator, in consultation with the Consultative Committee and in close coordination with the Director of UNIFEM, will continue to provide full support in the implementation of that plan.

VIII. EXECUTIVE BOARD ACTION

87. The Executive Board may wish to take note of the present report and propose actions to put the finances, administration and management of UNIFEM on a sound basis. In particular, the Board may wish to:

(a) Authorize UNIFEM to proceed with its programme in keeping with the projections described in table 3 of the present report;

(b) Suspend the requirements for the operational reserve until such time as the financial situation of UNIFEM is on a sound basis;

(c) Request the Administrator to outpost one UNDP/DOP staff member to UNIFEM to assist in the monitoring of project funds, without prejudice to the autonomy of UNIFEM;

(d) Also request the Administrator to assume and/or co-finance selected UNIFEM projects;

(e) Authorize approval for the use of UNDP funds to cover the UNIFEM cash shortfall, which commenced during the first quarter of 1995 and request the Administrator to establish therefore an overdraft facility for UNIFEM on the basis of the interfund accounts.

Annex I

UNITED NATIONS DEVELOPMENT FUND FOR WOMEN (UNIFEM)
ANNUAL STATUS OF FUNDS
(1990-1994)

	1990	1991	1992	1993	1994
INCOME AND EXPENDITURE					
Voluntary contributions from Governments	8,324,443	10,561,966	9,875,456	9,942,856	9,833,412
Cost-sharing contributions	504,343	1,155,481	681,202	1,333,972	1,398,305
Government contributions for sub-trust funds	-	-	-	59,929	2,321,547
Donations	370,507	798,356	365,367	555,299	302,409
Interest income:					
General resources and cost-sharing	1,391,893	725,784	506,419	414,822	135,394
Sub-trust funds	209,960	275,611	171,334	105,119	52,086
Miscellaneous income / (expenditure):					
General resources and cost-sharing	(51,888)	44,278	(68,075)	(50,694)	42,624
Sub-trust funds	-	-	-	-	(212,788)
TOTAL INCOME	10,749,258	13,561,476	11,531,703	12,361,303	13,872,989
Less: Expenditure					
Project costs:					
General resources	7,019,196	9,081,645	9,271,472	11,951,919	13,800,692
Cost-sharing	12,921	262,186	980,180	891,001	1,804,837
Sub-trust funds	498,704	520,635	764,181	1,074,082	879,539
Agency support costs:					
General resources	405,020	479,138	333,024	185,118	59,202
Cost-sharing	1,458	566	37,822	30,590	-
Sub-trust funds	61,659	43,733	95,265	93,682	7,618
Biennial budget expenditure	1,850,408	1,854,082	2,683,278	2,515,784	2,859,647
Technical support costs	538,808	722,914	523,160	662,453	623,969
Transfer and refunds - sub-trust funds	-	-	-	431,041	-
TOTAL EXPENDITURE	10,388,174	12,964,899	14,688,382	17,835,670	20,035,504
SURPLUS INCOME / (EXPENDITURE)	361,084	596,577	(3,156,679)	(5,474,367)	(6,162,515)

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Annex I
(continued)

ASSETS	1990	1991	1992	1993	1994
Cash	54,471	1,305,834	16,145	15,909	131
Investments:					
General resources and cost-sharing	11,109,500	8,390,000	9,246,000	8,574,000	2,959,178
Investments of the operational reserve	5,800,000	6,200,000	3,900,000	5,100,000	985,822
Operating funds provided to Gov'ts for executing projects	2,939,949	3,289,236	2,901,759	4,568,761	3,463,439
Operating funds provided to executing agencies	1,363,905	1,311,224	978,865	232,324	243,228
Accounts receivable and deferred charges	3,637	3,637	27,537	101,230	130,926
Due from UNDP	-	73,941	89,047	-	-
Accrued interest	233,896	156,304	103,601	85,561	5,658
Extrabudgetary account	-	32,733	9,291	2,686	62,854
TOTAL ASSETS	21,505,358	20,762,909	17,272,245	18,680,471	7,851,236
LIABILITIES AND UNEXPENDED RESOURCES					
Operating funds payable to Gov'ts for executing projects	36,178	501,881	43,408	124,506	104,402
Operating funds payable to executing agencies	78,532	173,198	277,485	147,718	305,493
Accounts payable	177,456	221,481	61,530	89,737	106,804
Unliquidated obligations of executing agencies	635,229	458,774	638,926	2,160,351	781,033
Management service agreements	227,199	16,197	16,197	16,197	16,197
Due to UNDP	1,555,963	-	-	5,381,630	1,939,490
Total liabilities	2,710,557	1,371,531	1,037,546	7,920,139	3,253,419
Operational reserve	5,800,000	6,200,000	3,900,000	5,100,000	985,822
Unexpended resources:					
General resources	8,807,646	8,400,251	8,568,484	2,915,493	-
Cost-sharing	680,407	1,573,136	1,236,336	1,648,717	1,242,185
Sub-trust funds	3,506,748	3,217,991	2,529,879	1,096,122	2,369,810
Balance of unexpended resources, 31 December	12,994,801	13,191,378	12,334,699	5,660,332	3,611,995
TOTAL LIABILITIES AND UNEXPENDED RESOURCES	21,505,358	20,762,909	17,272,245	18,680,471	7,851,236

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Annex II

REVIEW OF THE FINANCIAL SITUATION OF THE UNITED NATIONS DEVELOPMENT FUND FOR WOMEN

SYNOPSIS OF INTERNAL AUDIT REPORT

I. DAMR AUDIT AND REVIEW PROCESS

1. A review of the United Nations Development Fund for Women (UNIFEM) was conducted at headquarters in mid-February 1995 in response to UNIFEM and UNDP senior management concerns over the financial status of the Fund.

2. The review was conducted in accordance with the general standards for the professional practice of internal auditing in the United Nations organizations. It primarily addressed the validity and the causes of the financial deficit incurred by UNIFEM as of the end of 1994. It included an examination of the following financial processes and relevant documentation in order to ascertain compliance with pertinent Governing Council decisions, regulations, rules and procedures:

(a) Partial funding framework (including the operational reserve);

(b) Programme allocation;

(c) Project approval and commitment;

(d) Income and expenditure (including financial projection);

(e) Financial review, monitoring and reporting; and

(f) Related internal control mechanisms.

3. The DAMR report was issued on 23 March 1995 and the summary of the findings and recommendations are shown below.

II. BACKGROUND ON UNIFEM OPERATIONS

4. Pursuant to General Assembly resolution 39/125 of 14 December 1984, UNIFEM was established as a "separate and identifiable entity in autonomous association with" UNDP. UNIFEM is headed by a Director who "is responsible for the management of the Fund and its administration and who is accountable to the UNDP Administrator". It has its own programme, administrative and financial organizational units and at the time of the review, a core staff of 29 at headquarters.

5. A key element in UNIFEM's programme is the partial funding system, which was adopted pursuant to Governing Council decision 88/42. Partial funding essentially allows UNIFEM to allocate funds to projects in excess of currently available resources, taking into account future contributions and recognizing that project expenditures will occur over more than one year. Therefore, at a given time, allocations are expected to exceed actual resources.

6. An important financial safety measure and internal control mechanism provided for by the then Governing Council in the approval of partial funding system was the establishment of a fully funded operational reserve. The adoption of the partial funding system was also conditioned by the implementation of a set of financial reviews to be performed by UNIFEM.

7. UNIFEM has the following resources as reported in the financial statements: general resources, cost-sharing and sub-trust funds. General resources are under the partial funding system. Cost-sharing and sub-trust funds re earmarked contributions for specific projects and are under a fully funded basis.

III. DAMR SUMMARY OF MAJOR FINDINGS

A. Financial deficit

8. The substantial increase in UNIFEM's level of project commitments required that the level of the operational reserve likewise be increased. UNIFEM had at the end of 1994 a positive investment balance of $3.9 million. This was not sufficient to meet the required reserve level.

9. Consequently, and taking into account other accounting adjustments, a deficit in UNIFEM's general resources balance was encountered, which, as at year-end of 1994, is expected to total $13.6 million, as follows:

(a) Under the current legislation and at the end of 1994, UNIFEM was required to have available and fully fund a total of $17.8 million, that is, $12.9 million in operational reserve and $4.9 million in cost-sharing and sub-trust fund resources;

(b) The available funds as at the end of 1994 total only $4.2 million, comprising $3.9 million of investments on hand and $0.3 million of net excess of receivables over payables.

(c) The difference between the required funding and the available funds represents the financial deficit of $13.6 million as at end of 1994.

B. Causes of deficit

10. The deficit was caused primarily by inadequate performance and oversight by key UNIFEM staff members, spanning several years, as to financial reviews, monitoring and internal controls. In particular, this relates to the application of the partial funding system and the level of operational reserve. The inadequate financial and managerial oversight identified are as shown below.

(a) Lack of periodic financial reviews and monitoring as required in accordance with DP/1988/4 and DP/1988/50, Add. 1 and 2. In particular, UNIFEM was not able to demonstrate that the following processes were adequately undertaken:

(i) Periodic reviews of all approved but not operational projects, mandatory budget revisions and rephasing of budgets of ongoing projects;

(ii) Quarterly review of cash-flow requirements, pledges and investment portfolio;

(iii) Quarterly update of a financial management plan;

(iv) Monthly financial status report with an overview of the key developments affecting the Fund's financial resources, including liquidity, actual income, expenditure, project approvals and administrative budget costs;

(b) Understatement of operational reserve;

(c) Failure to perform a review of the basis used to establish the partial funding ceiling;

(d) Absence of accurate and reliable data base.

C. Financial implications

11. DAMR estimates that it will take three years, 1995 to 1997, to recover from the $13.6 million deficit based on the assumptions that, for these years, voluntary contributions will average $11 million, project commitments of $20 million as at the end of 1994 will have been expended as scheduled and biennial budget expenditure will remain at 1994 levels.

12. Unless additional general resources above the $11 million level are realized and unless major rephasing of ongoing project commitments and significant reductions in the biennial budget expenditure and technical support costs are achieved, UNIFEM will not have resources to allocate to new projects or initiatives.

D. UNDP financial support services

13. UNDP provides central financial services to UNIFEM. In preparing the interim financial statements as at 30 June 1994 and as at 30 September 1994, the Division of Finance identified and brought to the attention of UNIFEM management the deficit in general resources and the reduction of investments corresponding to the operational reserve below the required level.

14. The DAMR review determined that DOF had the opportunity to identify and closely follow up with UNIFEM, at an earlier stage, some of the deficiencies that contributed to the current situation, as follows:

(a) The financial statements as at 31 December 1993 included incomplete information, that is, the presentation of the operational reserve without stating any unspent allocations. This was not pointed out in a timely manner by DOF to UNIFEM;

(b) The DOF letters transmitting the financial statements for 1991-1993 mentioned problems that were not followed up by DOF to ensure UNIFEM's corrective actions;

(c) The drawings made by DOF against the investments that brought the operational reserve below the level required to be maintained, starting in May 1994, were not immediately brought by DOF to UNIFEM's attention.

IV. DAMR MAJOR RECOMMENDATIONS

15. The major DAMR recommended corrective actions are summarized below:

(a) UNIFEM should undertake the following measures:

(i) Review all ongoing projects to establish the actual level of unspent allocations;

(ii) Rephase project commitments;

(iii) Reduce biennial budget expenditure and technical support costs; and

(iv) Improve and strengthen financial reviews and monitoring;

(b) DOF should undertake the following actions:

(i) Review in a timely manner key financial reports and information prepared by UNIFEM; and

(ii) Monitor in a timely manner the investments in relation to the required level of the operational reserve.

V. ACCOUNTABILITY ASPECTS

16. DAMR determined that UNIFEM, in respect of its financial operations from 1991 through 1994, did not establish and implement comprehensive financial reviews, monitoring and internal control mechanisms. Such reviews, some of which are dictated by the implementation of the partial funding system, could and should have been properly established and maintained.

17. In this regard, a review to determine the responsibility and accountability of the concerned officials who were entrusted with the above functions is being conducted. The review is in accordance with the relevant UNDP regulations, rules, procedures and guidelines, which include, inter alia, the basic requirements of due process afforded to staff members concerned.

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HUMAN DEVELOPMENT REPORT

I. PURPOSE

1. The present report is submitted to the Executive Board in accordance with its decision 94/15.

II. CONSULTATIONS

2. Pursuant to Executive Board decision 94/15 and General Assembly resolution 49/123, steps have been taken to improve the process of consultation with Member States and other relevant international bodies to refine the methodologies used in the report with a view to improving its quality and accuracy without compromising its editorial independence.

3. A number of initiatives have been taken to intensify consultations with Member States. Consultations on the Human Development Report 1995 began at an earlier stage than for previous reports, with a series of meetings in November 1994, which were followed by further consultations in March 1995 and supplemented by informal meetings. These consultations were very useful in identifying the relevant areas of concern, both in terms of the global development issues as well as the contribution that the Human Development Report can make.

4. Two expert advisory groups were also established, bringing together experts from all parts of the world on gender and development, the theme of the 1995 report.

5. Regarding international bodies, a policy of strengthening professional collaboration has been pursued, particularly on statistics. Increased attention has been given to the coordination and harmonization of the report's indicators

with those reported by other international statistical sources. During 1994-1995, efforts have been made to institutionalize consultations with international bodies. HDRO participated in the activities of statistical commissions and working groups, such as: the Subcommittee on Statistical Activities of the United Nations (Advisory Committee on Coordination (ACC)); the United Nations Statistical Commission and its Task Force on the Measurement of Poverty; the Creditor Reporting System of the Development Assistance Committee (Organisation for Economic Cooperation and Development (OECD/DAC); and the Expert Group Meeting on Indicators for Sustainable Development, organized by the Department for Policy Coordination and Sustainable Development; and informal inter-agency discussions on model-based national mortality estimates.

III. IMPROVING ACCURACY

6. Particular attention has been paid to the improvement of data accuracy in the 1995 report. All data series were reviewed and improvements introduced to ensure greater rigour and accuracy.

7. HDRO has adopted a firm policy to rely for data sources as far as possible on statistical series established by United Nations specialized agencies and other international organizations. Where such data were not available, other reliable sources were used or estimates were made based on statistical conventions.

8. More detailed recording of sources and definitions has been introduced in the 1995 report. Methodologies used are being presented more explicitly.

9. Closer attention has also been paid in the 1995 report to take account of limitations of data for policy analysis.

10. Finally, measures have been taken to strengthen the statistical capacity within the HDRO to enhance data accuracy. A full-time senior statistician has been appointed and systems are being put in place to minimize errors.

IV. EXECUTIVE BOARD ACTION

11. The Executive Board may wish to:

Take note of the present report.